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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
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WALKER DIGITAL FIVE HIGH RIDGE PARK STAMFORD, CT 06905			EXAMINER CHAMPAGNE, DONALD	
			ART UNIT	PAPER NUMBER
			3622	

DATE MAILED: 12/16/2004

Please find below and/or attached an Office communication concerning this application or proceeding.

Office Action Summary

Application No.

10/642,894

Applicant(s)

WALKER ET AL.

Examiner

Donald L. Champagne

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-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --
Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If the period for reply specified above is less than thirty (30) days, a reply within the statutory minimum of thirty (30) days will be considered timely.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133).
- Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

Status

- 1) ☒ Responsive to communication(s) filed on 24 September 2004.
- 2a) ☒ This action is **FINAL**. 2b) ☐ This action is non-final.
- 3) ☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

Disposition of Claims

- 4) ☒ Claim(s) 77-90 is/are pending in the application.
- 4a) Of the above claim(s) _____ is/are withdrawn from consideration.
- 5) ☐ Claim(s) _____ is/are allowed.
- 6) ☒ Claim(s) 77-90 is/are rejected.
- 7) ☐ Claim(s) _____ is/are objected to.
- 8) ☐ Claim(s) _____ are subject to restriction and/or election requirement.

Application Papers

- 9) ☐ The specification is objected to by the Examiner.
- 10) ☒ The drawing(s) filed on 18 August 2003 is/are: a) ☒ accepted or b) ☐ objected to by the Examiner.
- Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).
- 11) ☐ The proposed drawing correction filed on _____ is: a) ☐ approved b) ☐ disapproved by the Examiner.
- If approved, corrected drawings are required in reply to this Office action.
- 12) ☐ The oath or declaration is objected to by the Examiner.

Priority under 35 U.S.C. §§ 119 and 120

- 13) ☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).
- a) ☐ All b) ☐ Some * c) ☐ None of:
- ☐ Certified copies of the priority documents have been received.
 - ☐ Certified copies of the priority documents have been received in Application No. _____.
 - ☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).
- * See the attached detailed Office action for a list of the certified copies not received.
- 14) ☐ Acknowledgment is made of a claim for domestic priority under 35 U.S.C. § 119(e) (to a provisional application).
- a) ☐ The translation of the foreign language provisional application has been received.
- 15) ☐ Acknowledgment is made of a claim for domestic priority under 35 U.S.C. §§ 120 and/or 121.

Attachment(s)

- | | |
|--|---|
| 1) <input type="checkbox"/> Notice of References Cited (PTO-892) | 4) <input type="checkbox"/> Interview Summary (PTO-413) Paper No(s). _____ |
| 2) <input type="checkbox"/> Notice of Draftsperson's Patent Drawing Review (PTO-948) | 5) <input type="checkbox"/> Notice of Informal Patent Application (PTO-152) |
| 3) <input type="checkbox"/> Information Disclosure Statement(s) (PTO-1449) Paper No(s) _____ | 6) <input type="checkbox"/> Other: |

DETAILED ACTION

Response to Arguments

1. Applicant's arguments filed on 24 September 2004 have been fully considered but they are not fully persuasive. The arguments are addressed at para. 8-9, 14-15, 18-20 and 24 below.

Claim Rejections - 35 USC § 101

2. 35 U.S.C. 101 reads as follows:

Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

3. Claims 77-88 are rejected under 35 U.S.C. 101 because the claimed invention is directed to non-statutory subject matter. The claimed invention is not within the technological arts - i.e., no computer implementation or any other technology is employed.
4. As an initial matter, the United States Constitution under Art. I, §8, cl. 8 gave Congress the power to "[p]romote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries". In carrying out this power, Congress authorized under 35 U.S.C. §101 a grant of a patent to "[w]hoever invents or discovers any new and useful process, machine, manufacture, or composition or matter, or any new and useful improvement thereof." Therefore, a fundamental premise is that a patent is a statutorily created vehicle for Congress to confer an exclusive right to the inventors for "inventions" that promote the progress of "science and the useful arts". The phrase "technological arts" has been created and used by the courts to offer another view of the term "useful arts". See *In re Musgrave*, 167 USPQ (BNA) 280 (CCPA 1970). Hence, the first test of whether an invention is eligible for a patent is to determine if the invention is within the "technological arts".
5. Further, despite the express language of §101, several judicially created exceptions have been established to exclude certain subject matter as being patentable subject matter covered by §101. These exceptions include "laws of nature", "natural phenomena", and "abstract ideas". See *Diamond v. Diehr*, 450, U.S. 175, 185, 209 USPQ (BNA) 1, 7 (1981). However, courts have found that even if an invention incorporates abstract ideas, such as

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mathematical algorithms, the invention may nevertheless be statutory subject matter if the invention as a whole produces a "useful, concrete and tangible result." See *State Street Bank & Trust Co. v. Signature Financial Group, Inc.* 149 F.3d 1368, 1973, 47 USPQ2d (BNA) 1596 (Fed. Cir. 1998).

6. This "two prong" test was evident when the Court of Customs and Patent Appeals (CCPA) decided an appeal from the Board of Patent Appeals and Interferences (BPAI). See *In re Toma*, 197 USPQ (BNA) 852 (CCPA 1978). In *Toma*, the court held that the recited mathematical algorithm did not render the claim as a whole non-statutory using the Freeman-Walter-Abele test as applied to *Gottschalk v. Benson*, 409 U.S. 63, 175 USPQ (BNA) 673 (1972). Additionally, the court decided separately on the issue of the "technological arts". The court developed a "technological arts" analysis:

The "technological" or "useful" arts inquiry must focus on whether the claimed subject matter...is statutory, not on whether the product of the claimed subject matter...is statutory, not on whether the prior art which the claimed subject matter purports to replace...is statutory, and not on whether the claimed subject matter is presently perceived to be an improvement over the prior art, e.g., whether it "enhances" the operation of a machine. *In re Toma* at 857.

In *Toma*, the claimed invention was a computer program for translating a source human language (e.g., Russian) into a target human language (e.g., English). The court found that the claimed computer implemented process was within the "technological art" because the claimed invention was an operation being performed by a computer within a computer.

7. The decision in *State Street Bank & Trust Co. v. Signature Financial Group, Inc.* never addressed this prong of the test. In *State Street Bank & Trust Co.*, the court found that the "mathematical exception" using the Freeman-Walter-Abele test has little, if any, application to determining the presence of statutory subject matter but rather, statutory subject matter should be based on whether the operation produces a "useful, concrete and tangible result". See *State Street Bank & Trust Co.* at 1374. Furthermore, the court found that there was no "business method exception" since the court decisions that purported to create such exceptions were based on novelty or lack of enablement issues and not on statutory grounds. Therefore, the court held that "[w]hether the patent's claims are too broad to be patentable is not to be judged under §101, but rather under §§102, 103 and 112." See *State*

Street Bank & Trust Co. at 1377. Both of these analysis goes towards whether the claimed invention is non-statutory because of the presence of an abstract idea. Indeed, *State Street* abolished the Freeman-Walter-Abele test used in *Toma*. However, *State Street* never addressed the second part of the analysis, i.e., the "technological arts" test established in *Toma* because the invention in *State Street* (i.e., a computerized system for determining the year-end income, expense, and capital gain or loss for the portfolio) was already determined to be within the technological arts under the *Toma* test. The Board of Patent Appeals and Interferences (BPAI) have recently acknowledged this dichotomy in affirming a §101 rejection finding the claimed invention to be non-statutory. See *Ex parte Bowman*, 61 USPQ2d (BNA) 1669 (Bd. Pat. App. & Int. 2001).

8. Applicant argues (p. 1-5) that the above rejection under 35 USC § 101 is flawed because, first, the only requirement for patentability under 35 USC § 101 is that the claims produce a useful, concrete and tangible result, and second, the examiner has failed to show that the instant invention does not do that.
9. There is another requirement for patentability, and that is whether or not the claimed invention is within the technological arts (para. 4 above). It is this requirement that the instant invention fails to satisfy. Many intellectual processes result in useful, concrete and tangible results, but unless they are within the "technological arts", they are not patentable under 35 USC § 101.

Claim Rejections - 35 USC § 102 and 35 USC § 103

10. The following is a quotation of the appropriate paragraphs of 35 U.S.C. 102 that form the basis for the rejections under this section made in this Office action:

A person shall be entitled to a patent unless –

(b) the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of application for patent in the United States.

11. The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

12. Claims 77, 78, 81 and 82 are rejected under 35 U.S.C. 102(b) as being anticipated by Ring.
13. Ring teaches (independent claims 77 and 81) a method for identifying potential buyers of real estate, comprising the steps of: receiving intent data from a potential buyer in the form of a proposed real estate contract of sale (pp. 71-73); determining the price of said real estate, which reads on a reward for the potential buyer based on the intent data, in which the reward/price comprises money for the potential buyer¹; receiving a payment identifier of a financial account in the form of a check for the amount of the deposit on contract/earnest money (pp. 76-77); issuing the reward to the buyer by transferring title to the property for the contract price at closing; and applying a penalty to the financial account of the potential buyer, in the form of keeping the potential buyer's deposit on contract/earnest money, if the buyer does not purchase the real estate item within a particular time period. For claim 81, the confirmation signal is received at closing.
14. Applicant argues (p. 6) that the reference fails to teach (claim 77) determining a reward for the potential buyer. The "intent data" is the taught real estate contract of sale, which includes the buyer's price proposal. The "reward" is the difference between the buyer's proposed price and the seller's (higher) asking/listed price. The transaction is denominated in money, so said reward comprises money for the potential buyer. The reward is the buyer getting the property at a price lower than that asked initially by the seller.
15. Applicant argues (p. 7) that the reference also fails to teach (claim 81) that the reward offer is based on a degree of certainty, a degree of specificity, and a length of the particular time period. Those are all properties of the contract of sale.
16. Ring also teaches at the citation given above claims 78 and 82.
17. Claims 86-88 are rejected under 35 U.S.C. 103(a) as obvious over Ring et al. Ring does not teach recursive negotiation of the contract terms (step (g) in claim 86). The contract of sale (pp. 71-73) has many blanks requiring specification. Because it is the most efficient means to have two parties come to agreement on these many unspecified details, it would have

¹ There is a reward if the seller agrees to accept a price lower than the seller's listed price. The difference between listed and contract prices is a discount that reads explicitly on money for the potential buyer, said discount to be received at closing.

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been obvious to one of ordinary skill in the art, at the time of the invention, to add recursive negotiation of the contract terms (step (g) in claim 86) to the teachings of Ring et al.

18. Applicant argues (p. 8) that the rejection of claims 86-88 under 35 U.S.C. 102(b) is inappropriate. That rejection has been withdrawn.
19. Applicant argues (p. 9) that the rejection of claims 86-88 under 35 U.S.C. 103(a) is inappropriate because the examiner has failed to provide a reference for the alleged efficiency. "The rationale to modify or combine the prior art does not have to be expressly stated in the prior art; the rationale may be ... reasoned from knowledge generally available to one of ordinary skill in the art" (MPEP 2144).
20. What the examiner offers as obvious to anyone of ordinary skill in the art of contract negotiation is that it is obvious to use a recursive process: one side proposes something, the other side makes a counterproposal, and so forth, until all the details are resolved. This is so common and obvious that one would be hard pressed to offer an alternative. If applicant believes this process is not obvious, applicant should suggest such an alternative.
21. Claims 79 and 80 are rejected under 35 U.S.C. 103(a) as obvious over Ring et al. Ring et al. does not teach a partial penalty for purchase of a similar item. Such a situation occurs when the contract of sale was signed with a builder offering multiple properties, and the buyer wanted to change the property to be purchased. Because it would help the builder retain a satisfied customer, it would have been obvious to one of ordinary skill in the art, at the time of the invention, add a partial penalty for purchase of a similar item to the teachings of Ring et al.
22. Claims 83-85 are rejected under 35 U.S.C. 103(a) as obvious over Ring et al. Ring et al. does not teach a partial penalty for purchase after the particular time period. Since the contract of sale is a negotiated instrument, the seller may readily agree to proceed with a late sale for some additional consideration that would read on a partial penalty. Because it would enable both buyer and seller to conclude the agreement satisfactorily, it would have been obvious to one of ordinary skill in the art, at the time of the invention, to add a partial penalty for purchase after the particular time period to the teachings of Ring et al.
23. Claims 89 and 90 are rejected under 35 U.S.C. 102(b) as being anticipated by Abecassis (US005426281A). Abecassis teaches a central server system (*Transaction Protection*

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System, col. 3 lines 5-6, col. 4 lines 59-61 and Fig. 1A), comprising a processor (*computer(s) at deposit protection service center 40*, col. 5 lines 65-66 and col. 6 lines 17-18); a storage device coupled to the processor (*memory contained in the computer system of center 40*, col. 9 lines 8-10); and software operative to run on the processor provide an escrow service assuring that the deposit on contract/earnest money [*monies (deposit) that are tendered by an individual or business entity (e.g. buyer)*] is released to the seller of real estate, and title to said real estate is transferred to the buyer in part because of this consideration, in accordance with the terms of a contract of sale, said contract of sale and fulfillment of its terms reading on demand information, and said transfer of title to the buyer reading on issuing a reward to the potential buyer in exchange for demand information, wherein the software is operable to direct the processor to transfer the deposit on contract/earnest money to the seller if buyer fails to fulfill the terms of the contract, which reads on charging a penalty to a financial account of the potential buyer (col. 2 lines 45-57 and col. 3 lines 9-16),

24. Applicant argues (p. 10) that there is no teaching of software. The reference teaches a computer system performing the functions of the claim, so said software is inherent. The system provides a computerized escrow service, where the contract of sale and fulfillment of its terms reads on demand information, and transfer of the real estate title to the buyer reads on issuing a reward to the potential buyer in exchange for demand information. As noted at the last lines on para. 23, forfeiture of the earnest money reads on charging a penalty.

Conclusion

25. **THIS ACTION IS MADE FINAL.** Applicant is reminded of the extension of time policy as set forth in 37 CFR 1.136(a).
26. A shortened statutory period for reply to this final action is set to expire THREE MONTHS from the mailing date of this action. In the event a first reply is filed within TWO MONTHS of the mailing date of this final action and the advisory action is not mailed until after the end of the THREE-MONTH shortened statutory period, then the shortened statutory period will expire on the date the advisory action is mailed, and any extension fee pursuant to 37 CFR 1.136(a) will be calculated from the mailing date of the advisory action. In no event, however, will the statutory period for reply expire later than SIX MONTHS from the mailing date of this final action.

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27. Any inquiry concerning this communication or earlier communications from the examiner should be directed to Donald L Champagne whose telephone number is 571-272-6717. The examiner can normally be reached from 6:30 AM to 5 PM ET, Monday to Thursday. The examiner can also be contacted by e-mail at donald.champagne@uspto.gov, and *informal* fax communications (i.e., communications not to be made of record) may be sent directly to the examiner at 571-273-6717.
28. The examiner's supervisor, Eric Stamber, can be reached on 703-305-8469. The fax phone number for the organization where this application or proceeding is assigned is 703-872-9306. Any inquiry of a general nature or relating to the status of this application or proceeding should be directed to the receptionist whose telephone number is 703-308-1113.
29. **AFTER FINAL PRACTICE** – Consistent with MPEP § 706.07(f) and 713.09, prosecution generally ends with the final rejection. Examiner will grant an interview after final only when applicant presents compelling evidence that "disposal or clarification for appeal may be accomplished with only nominal further consideration" (MPEP § 713.09). The burden is on applicant to demonstrate this requirement, preferably in no more than 25 words. Amendments are entered after final only when the amendments will clearly simplify issues, or put the case into condition for allowance, clearly and without additional search or more than nominal consideration. Applicant may have after final arguments considered and amendments entered by filing an RCE.
30. **ABANDONMENT** – If examiner cannot by telephone verify applicant's intent to continue prosecution, the application is subject to abandonment six months after mailing of the last Office action. The agent, attorney or applicant point of contact is responsible for assuring that the Office has their telephone number. Agents and attorneys may verify their registration information including telephone number at the Office's web site, www.uspto.gov. At the top of the home page, click on Site Index. Then click on Agent & Attorney Roster in the alphabetic list, and search for your registration by your name or number.

DONALD L. CHAMPAGNE
PRIMARY EXAMINER

11 December 2004

Donald L. Champagne
Primary Examiner
Art Unit 3622 (2121 Detail)

